

**Statement of Michael J. Riley
President**

MICHAEL J. RILEY
PRESIDENT

**Motor Transport Association of Connecticut
Before**

The Joint Committee on Finance Revenue and Bonding

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I am Michael J. Riley, President of Motor Transport Association of Connecticut (MTAC), a statewide trade association, which represents around 1,000 companies that operate commercial motor vehicles in and through the state of Connecticut. Our membership includes freight haulers, movers of household goods, construction companies, distributors, tank truck operators and hundreds of companies that use trucks in their business and firms that provide goods and services to truck owners.

I am here to submit testimony on the following three bills.

Senate Bill No. 808 AN ACT INCREASING FEES AND FINES.

House Bill No. 6349 AN ACT CONCERNING THE SALES
TAX ON SERVICES

House Bill No. 6350 AN ACT ELIMINATING EXEMPTIONS
FROM THE SALES AND USE TAX AND LOWEREING
THE RATE OF SUCH TAX

We share the positions of the other business interests presenting testimony on the other bills. I will speak to the implications which the three bills listed above have with regard to the nearly 1,000 MTAC member companies, who do business in Connecticut.

Senate Bill No. 808 AN ACT INCREASING FEES AND FINES will increase all fees and fines currently in place by a flat 25%. This will mean a significant increase in license and registration fees for all passenger and commercial vehicles. There has been much said lately about how the Governor is not raising taxes. Well, increasing fees for credentials necessary



to operate legally in this state has the same impact on families and businesses as increases in taxes. We will research these increases and show the committee, at a later date, how our fees and fines compare to those in surrounding states.

As an example, I would like to address the fee for over-dimension shipments. These permits are issued individually. Certain non-divisible loads have characteristics such as width, height, length or weight, which require that they have their route checked for impediments. Currently, Connecticut charges a total fee of \$26 for these permits. As you can see by the following chart, we are already significantly higher than most neighboring states. Increasing the fees by an additional 25% will put us even more out of whack and increase another cost of doing business in this state.

Permit Costs

	<u>State Fee</u>	
CT	26.00	Self issue
MA	15.00	Self Issue
NY	44.00	
NJ	10.00	
RI	24.50	
VT	20.00	
NH	16.50	
ME	10.00	
NJ	10.00	
NYT	21.50	Self Issue
NYC	25.00	

The above prices are for standard load permits, no overweight

Additionally, Connecticut has made great strides in automating the process of applying for and obtaining these permits. Much of the work, which had been previously done manually and with fax machines, is now done electronically. Now, a trucker can complete a transaction by applying, on his computer, identifying previously inventoried vehicles, laying out a proposed route. He will then receive almost immediate approval and an electronically issued permit. This improvement has saved a lot of time and money for the State of Connecticut. One could make a case, that since savings were experienced by the state, the permit price should be lowered. Significantly increasing the fee for these permits, at this point in time, is troublesome.

House Bill 6350 AN ACT ELIMINATING EXEMPTIONS FROM THE SALES AND USE TAX AND LOWERING THE RATE OF SUCH TAX

There are many exemptions to the Sales and Use Tax. Every constituency will staunchly defend their exemption as justified and necessary. I would like to point out the justification for our sales tax exemption on commercial motor vehicles. As the following chart demonstrates, 33 states do not charge sales tax on rolling stock. This is because sales taxes are levied in the states where purchases are made. Trucking is an interstate activity. Truckers can buy their trucks in states where there is no tax. At an average cost of over \$100,000, sales tax can add significantly to the cost of a vehicle. So, if a state charges sales tax, truckers buy their trucks elsewhere. We want our truckers to buy their trucks in Connecticut. So several years ago, our Legislature established the sales tax exemption on large commercial motor vehicles. It has worked. Until recently, people were buying trucks here. The current economy has now had a crippling effect on the truck sales business. Right now nobody is buying any trucks. If this exemption is repealed, it will not result in any additional revenue to the state. No sales – no sales tax!

It should be noted that truckers pay a 12% federal excise tax on all their vehicles. This money, along with federal gasoline taxes produce revenue to the Federal Highway Fund. This fund provides the resources which the federal government shares with states.

Please see the next two pages for a state-by-state comparison of sales tax application to commercial motor vehicles.

COMPARATIVE STATE SALES PROPERTY TAXES ON MOTOR CARRIER ROLLING STOCK

Effective Sept 1, 2007

State	Rolling Stock:			Parts for Rolling Stock:			Total Sales Tax Paid			Property Tax Paid on Rolling Stock	
	Sales Tax Rate	Sales Tax Paid	Sales Tax Rate	Sales Tax Rate	Sales Tax Paid	Sales Tax Rate	Sales Tax Paid	Sales Tax Rate	Sales Tax Paid		
Alabama	2%	\$450	9	4%	\$200	10	\$650	10	\$621	11	
Alaska	No tax	-		No Tax	-		-		Exempt		
Arizona	Exempt	-		5.60%	\$280	6	\$280	21	(1)		
Arkansas	5.125%	\$130	12	5.125%	\$256	7	\$386	16	\$312	13	
California	6%	\$1,350	2	6%	\$300	5	\$1,650	2	(1)		
Colorado	2.9%	\$653	6	2.90%	\$145	13	\$798	9	(1)		
Connecticut	Exempt	-		6%	\$300	5	\$300	19	Exempt		
Delaware	2.75%	\$619	8	No Tax	-		\$619	12	Exempt		
Florida	6%	\$1,350	2	6%	\$300	5	\$1,650	2	Exempt		
Georgia	Exempt	-		Exempt	-		-		\$1,656	6	
Hawaii	4%	\$900	4	4%	\$200	16	\$1,100	5	Exempt		
Idaho	Exempt	-		5%	\$250	8	\$250	22	Exempt		
Illinois	Exempt	-		Exempt	-		-		Exempt		
Indiana	Exempt	-		Exempt	-		-		(1)		
Iowa	Exempt	-		5%	\$250	8	\$250	22	Exempt		
Kansas	Exempt	-		Exempt	-		-		\$863	9	
Kentucky	Exempt	-		Exempt	-		-		\$1,279	8	
Louisiana	Exempt	-		4%	\$200	10	\$200	24	Exempt		
Maine	Exempt	-		5%	\$250	8	\$250	22	2,640 (2)	1	
Maryland	Exempt	-		Exempt	-		-		Exempt		
Massachusetts	5%	\$1,125	3	5%	\$250	8	\$1,375	4	\$2,475	2	
Michigan	Exempt	-		Exempt	-		-		Exempt		

State	Rolling Stock:					Parts for Rolling Stock:					Total Sales Tax Paid		Parts for Rolling Stock	Property Tax Paid on Rolling Stock
	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:	Rolling Stock:		
Minnesota	6.5%	1	\$1,463	1	6.50%	3	\$325	\$1,788	1	Exempt			1	Exempt
Mississippi	3%	6	\$675	5	7%	2	\$350	\$1,025	6	Exempt			6	Exempt
Missouri	Exempt		-		Exempt		-	-		\$143				
Montana	No tax				No Tax		-	\$281	20	(1)				
Nebraska	Exempt		-		Exempt		-	-		Exempt				
Nevada	6.5%	1	\$1,463	1	6.50%	3	\$325	\$1,788	1	(1)				
New Hampshire	No tax		-		No Tax		-	-		\$1,980				4
New Jersey	Exempt		-		Exempt		-	-		Exempt				
New Mexico	3%	6	\$675	5	5%	8	\$250	\$925	7	Exempt				
New York	Exempt		-		Exempt		-	-		Exempt				
North Carolina	3%	6	\$363	10	4%	10	\$200	\$563	13	\$771				10
North Dakota	5%	4	\$1,125	3	5%	8	\$250	\$1,375	4	Exempt				
Ohio	Exempt		-		Exempt		-	-		Exempt				
Oklahoma	Exempt		-		8.375%	1	\$419	\$419	14	Exempt				
Oregon	No Tax		-		No Tax		-	-		Exempt				
Pennsylvania	Exempt		-		Exempt		-	-		Exempt				
Rhode Island	Exempt		-		7%	2	\$350	\$350	17	Exempt				
South Carolina	5%	4	\$150	11	5%	8	\$250	\$400	15	\$1,322				7
South Dakota	3%	6	\$675	5	4%	10	\$200	\$875	8	Exempt				
Tennessee	Exempt		-		3.75%	11	\$188	\$188	25	\$585				12
Texas	Exempt		-		6.25%	4	\$313	\$313	18	\$1,750				5
Utah	Exempt		-		4.75%	9	\$238	\$238	23	(1)				
Vermont	5%	4	\$645	7	5%	8	\$250	\$638	11	Exempt				
Virginia	Exempt		-		3.50%	12	\$173	\$173	26	\$2,146				3
Washington	Exempt		-		Exempt		-	-		Exempt				
West Virginia	Exempt		-		Exempt		-	-		(1)				
Wisconsin	Exempt		-		Exempt		-	-		Exempt				
Wyoming	Exempt		-		4%	10	\$200	\$200	24	(1)				

COMPARATIVE STATE SALES PROPERTY TAXES ON MOTOR CARRIER ROLLING STOCK

Effective Sept 1, 2007

These figures represent the sales and property taxes paid in each state for a tractor-semitrailer combination operated by a regulated for hire interstate motor carrier. For purposes of this comparison, the vehicle is assumed to operate all of its miles in the state in which it is based. The italicized figures represent amounts that are apportioned according to mileage traveled in the state.

The combination has a manufacturer's suggested retail price of \$110,000, its purchase price was \$90,000 (the tractor \$75,000, the trailer \$15,000), has a useful life of 4 years, and is in its first year of operation. It is assumed to be worth \$75,000 on the retail market and \$58,000 as a trade-in. It requires \$5,000 worth of parts per year, including tires.

The sales taxes on the purchase of equipment, which are amortized over the useful life of the tractor and trailer, do not in each instance correspond to the tax rate, since some states cap the amount of tax due on a single transaction involving rolling stock. The extent of state sales tax exemptions for rolling stock vary greatly. Local sales taxes are not included here.

Property taxes, which tend to vary widely depending on locality, are calculated here for the capital city of each taxing state.

NOTES:

- (1) These states collect a fee in-lieu of property tax through the International Registration Plan on all interstate carriers operating in the state, as a part of the registration process.
- (2) Maine imposes an in-lieu fee on the equipment of all carriers entering the state, but allows no apportionment of tax to Maine based carriers.

House Bill No. 6349 AN ACT CONCERNING THE SALES TAX ON SERVICES

This bill extends the sales tax on services to virtually every service that is currently not enumerated and drops the rate to 5%. It includes broadly defined categories of services that would be subject to the tax. These categories are "professional, insurance occupational or personal service transactions". If that doesn't catch everything, I don't know what would.

It also appears to eliminate the resale exemption, which currently exempts, from the sales tax, transactions for products, which are to be resold to an ultimate buyer. This means that a product could be taxed several times as it makes it's way through a variety of transactions on the way to the final consumer. Perhaps a farmer sells his produce to a broker, who sells the same product to a wholesaler, who sells it to a retailer who sells it to a customer. Under this bill, it appears that each of these transactions would be subject to a 5% tax.

I am sure that the fiscal note for this bill will show a major increase in state revenue. However, once the citizens of the state realize what it contains, I suspect it will not be advanced in its current form.

Thank you and good luck on your challenge this difficult year.